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COOPERATION IN THE FIELD OF ENERGY

(Commission decision I (50))

Report by the Executive Secretary

1. This report has been prepared in response to paragraph 8 of decision I (50).

COOPERATION WITH OTHER INTERNATIONAL ORGANIZATIONS

2. For the fifth session of the Committee on Energy, the secretariat prepared a report on cooperation and coordination of work on energy between the ECE and other international, intergovernmental and non-governmental organizations. The following cooperative initiatives are under way or under discussion:

3. European Union (EU): A joint project on energy efficiency standards for domestic appliances has been implemented in four transition countries. Co-financing is being sought for proposals being developed by ECE under preparatory funding from the Global Environmental Facility (GEF) for a number of transition countries. EU participates regularly in ECE activities in coal, gas and solar energy. Whenever possible, ECE does likewise in EU activities such as the Russian Conference on Coal in a Competitive Market, organized by EU in Moscow, 21-23 June 1996.

4. Organisation for Economic Co-operation and Development/International Energy Agency (OECD/IEA): ECE is a member of the Steering Group of the Greenhouse Gas Technology Information Exchange Project (GREENTIE), whose

purpose is to transfer to developing and transition countries knowledge about energy equipment and systems for reducing greenhouse gas emissions. IEA regularly participates in ECE activities on gas and coal and exchanges information and statistics. IEA participation is being sought for the proposed ECE Workshop on Energy Policies and Prospects to be held in 1996.

5. European Bank for Reconstruction and Development (EBRD)/ World Bank: Co-financing is being sought for proposals being developed by ECE under GEF preparatory funding. Work is in progress on developing financial mechanisms for funding energy efficiency investments in demonstration zones in the Russian Federation. Both institutions participate in some ECE activities on gas and coal.

6. Black Sea Economic Cooperation (BSEC)/CIS Electric Power Council/ Regional Working Group for Cooperation in the Field of Energy among Black Sea Region and Central Asian Republics (REWG): ECE prepared a study for BSEC which will be updated periodically by ECE "BSEC in Energy: Momentum and Opportunities." ECE is involved in regular activities of the BSEC Working Group on Energy and of REWG. Cooperation on electric power interconnections will be intensified with all three organizations, particularly with the CIS Electric Power Council and REWG, in 1996.

7. European Energy Charter (EEC): ECE has supported the development and activities of EEC; the Charter was developed to provide a legal framework for trade and investment in energy. ECE will be cooperating closely in furthering the objectives of the Charter, particularly in the implementation of its Energy Efficiency Protocol.

8. International coal institutions and bodies: ECE is working with the International Committee on Coal Petrology (ICCP), Council of Metallurgy and Mining Industries (CMMI), World Coal Institute (WCI), International Organization for Standardization (ISO) and others in elaborating international guidelines, classifications and standards related to the sustainable exploitation and use of solid fuels, and the promotion and facilitation of international trade. For example, work on the UN ECE International Framework for Reserves/Resources Classification under market criteria is almost complete and work has begun on the development of an International Classification System for Lignite and Sub-bituminous Coals Utilization. ECE and the Interstate Europe-Asian Association on Coal and Metals (MEAOUM) will organize a workshop on Reconversion Policies in Coal and Steel Producing Regions (Kazakstan, 1996). A workshop on Developing the Basic Concepts of Mining Legislation under Market Conditions (Russian Federation, 1996) will be organized with the Russian Scientific and Technical Mining Association (NTGA).

9. International Union of Producers and Distributors of Electrical Energy (UNIPEDE)/World Energy Council (WEC): ECE is jointly organizing with UNIPEDE a Symposium on the Development and Operation of Large Power Systems and International Interconnections (Hungary, 1996). ECE, WEC and the Academy of Sciences and Arts of The former Yugoslav Republic of Macedonia are organizing an International Conference on Renewables for Electricity which will be held in 1996 in that country. ECE and WEC are collaborating on a workshop on

Restructuring and Privatization of Electric Power Industries (Turkey, June 1996).

10. United Nations Development Programme (UNDP)/Global Environmental Facility(GEF)/International Labour Organization (ILO): With the support of UNDP and GEF funding, ECE has developed a preparatory assistance project for energy efficiency demonstration zones in Bulgaria, Czech Republic, Hungary and Russian Federation. ECE is working with UNDP and ILO on a joint project with the Government of Belarus on military conversion through employment, enterprise creation and energy conservation; ECE is focusing on the energy conservation and efficiency aspects of the project.

11. ECE also cooperates, to varying degrees, with the International Atomic Energy Agency (IAEA), United Nations Educational, Scientific and Cultural Organization (UNESCO), World Meteorological Organization (WMO), United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), World Health Organization (WHO), Secretariat of the United Nations Framework Convention on Climate Change, United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), European Union of Natural Gas Industries, International Gas Union, World LPG Forum and European LPG Gas Association.

12. The ECE programme of work is valued by other international organizations and institutions for the following reasons: ECE has a special relationship with central and east European countries developed over a long period of time; the wide-ranging ECE programme of work in energy is complementary to that of international organizations such as EU, EBRD, World Bank, IEA, Energy Charter and the UNDP Global Environmental Facility; ECE provides the only forum where Governments, energy companies and industry associations from 55 countries spanning North America, Europe and central Asia work together to promote cooperation on energy issues and the integration of their energy economies; the contribution of energy companies to the programme is extensive and unique.

PROGRAMME OF WORKSHOPS AND SEMINARS

13. Six workshops were organized in 1995 on energy to facilitate the integration of countries in transition into the European and world economy:

- Workshop on Geodynamic Zoning (St. Petersburg, Russian Federation, February 1995) - to acquaint countries with a method of geodynamic zoning developed in the Russian Federation and with recent experiences gained in using this method for designing, constructing and operating mines and structures such as pipelines, power plants and industrial factories.

- Workshop on Development of Clean Small-Sized Boilers for Industrial, Household and Farming Sectors (Katowice, Poland, April 1995) - to review the state of the art of technologies applied in the non-power markets, especially in countries in transition, the medium and long-term prospects of coal consumption and the impact of environmental regulations affecting those markets.

- Workshop on Rehabilitation and Enhancement Techniques of the Natural Gas Transmission and Distribution Systems (Groningen, Netherlands, April 1995) - held to exchange information and discuss techniques and options used in western countries, it provided an opportunity for experts from economies in transition to share experiences and information on techniques applied in different countries. In particular, information was exchanged on technical standard documentation; scientific and technological issues; legislation relating to the design and construction of gas transportation systems; and contract financing and project evaluation.

- Workshop on Market Adaptation of the Coal Industry in Central and Eastern Europe (Most, Czech Republic, May 1995)- to enable an exchange of views between experts and government officials involved in the restructuring of coal industries in transition countries and to provide advisory assistance to those countries on the market impact of restructuring, diversification of economic activities in mining regions, closure of uneconomic mines and control of operational mining activities.

- Workshop on the Use of Solar Energy (Bet Berl, Israel, July/August 1995) - to exchange information on experience gained on solar energy systems in the ECE region, to suggest programmes for the wider application of solar energy, and to promote international cooperation on its use, especially in transition countries, as well as the Mediterranean region.

- Workshop on Coal, Reassessment of Coal and Mineral Deposits Under Market Conditions (Hanover, Germany, December 1995) - to develop a draft UN framework classification for reserves/resources of solid fuels and mineral commodities to facilitate communication, investment and trade among countries.

14. In addition, three seminars were cooperatively organized by the UN/ECE - "Gas Centre": Seminar on the Gas Industry in the Market Economies of the European Continent (Paris, March 1995), in cooperation with Gaz de France and the French Ministry of Industry, Posts and Communications and Foreign Trade; Seminar on Gas Contracting Principles and Practices (Sinaia, Romania, June 1995), in cooperation with ROMGAZ; and Training Seminar on Project Analysis (Budapest, July 1995) in cooperation with the World Bank Development Institute and MOL, Hungary.

15. Since the programme of workshops and seminars is regarded as highly desirable by transition countries, the secretariat should continue to support these workshops, within available resources, and to disseminate their results. Workshops in the energy field have become a practical and objective tool to facilitate and promote contacts and follow-up among experts and decision makers from Governments, governmental and non-governmental institutions and the business community; to provide expert advice, consultation and technical assistance; and to formulate ideas and strategies for any follow-up action that the host Government/organization and others may wish to take to meet the desired objectives.

ASSISTANCE GIVEN TO TRANSITION COUNTRIES BY THE REGIONAL ADVISER ON ENERGY

16. The activities of the Regional Adviser on Energy have complemented and reinforced both the regular and extra budgetary programme of work on energy. He has been involved, to various degrees, in the following: initiated and implemented, in collaboration with the 12 CIS countries, a project on the present situation and prospects for the fuel and energy complex in CIS countries; provided advisory services with respect to the national energy conservation programme of Belarus; participated, as an advisor on energy conservation issues, in the joint UNDP/ILO/ECE international project on the conversion of military bases into zones of employment, entrepreneurship and energy conservation in Belarus; helped to organize and participated in the Ad Hoc Meeting on Business Opportunities in Energy Efficiency Demonstration Zones, held at Minsk; and provided advisory services on energy-related World Bank assistance projects for Georgia.

17. The Regional Advisor was also involved in activities of the "Energy Efficiency 2000" project and participated in: the development and promotion of investments in energy efficiency demonstration zones in the Russian Federation; work on financial engineering, business planning in energy efficiency demonstration zones; and meetings on the development of financial mechanisms to promote investment in energy efficiency in transition countries.

TECHNICAL COOPERATION PROGRAMMES

(a) The "Energy Efficiency 2000" project (EE2000)

18. The objective of EE2000 is to enhance trade and cooperation in energy efficient, environmentally sound technologies and management practices by promoting east-west trade contacts, providing information services and assisting transition countries through training and capacity development.

19. Over the last four and a half years, 50 energy efficiency trade events and business briefing sessions were organized. In 1995, business briefing sessions were organized in conjunction with trade fairs/business events at Plovdiv (Bulgaria), Prague (Czech Republic), Maribor (Slovenia) and Lausanne (Switzerland). A meeting was organized in Minsk, with the assistance of ILO, on energy efficiency demonstration zones and the conversion of military industries to the manufacture of energy efficient technologies.

20. Training manuals and courses on financial engineering and business planning dealing with energy efficiency have been prepared, and training provided to officials from transition countries. A number of energy efficiency project proposals have been developed in conjunction with these training sessions to be presented to international financial institutions and commercial banks at the second session of the Ad Hoc Group of Experts on Financial Engineering to be held in Budapest in October 1996.

21. A joint project between EE2000 and the European Union SAVE programme was developed and implemented on energy efficiency standards in Belarus, Bulgaria, Hungary and Ukraine aimed at assessing the potential for introducing more energy efficient appliances in those countries. Studies are currently under

way to assess the national efficiency standards of domestic appliances, technical features of the existing stock of appliances, domestic capacity of manufacturing appliances of differing efficiency standards, and the market potential for energy efficient appliances. Work has also been initiated on developing financial mechanisms for energy efficiency investments in the Russian Federation with EBRD, the World Bank, Russian commercial banks and western experts.

22. The preparatory assistance project, supported by the UNDP Global Environment Facility, to develop and promote investment in energy efficiency demonstration zones in Bulgaria, Czech Republic, Hungary and Russian Federation, will be completed in early 1996. National proposals, prepared in conjunction with ECE, will then be presented to the GEF Executive Council for project-specific funding. These proposals will involve some form of co-financing from EU, the World Bank, local banks and other financial institutions, and possibly EBRD.

23. In cooperation with ESCAP, EE2000 will provide technical assistance to those central Asian economies in transition which are member States of both regional commissions, which will consist of developing guidelines on the preparation of energy conservation laws.

(b) Promotion and Development of a Market-Based Gas Industry in Countries in Transition "Gas Centre"

24. The Gas Centre assists transition countries by facilitating the transfer of policy-making, market-oriented knowledge related to natural gas and the gas industry through seminars and training sessions, technical missions, development of training manuals and provision of technical advisory services. The Centre further serves as a forum for the exchange of information, views and ideas on policy formulation, regulation, rate-making and investment and trade promotion.

25. During its first year of operation, the Gas Centre held four seminars and training sessions attended by over 400 participants from more than 30 ECE countries, prepared three publications, initiated preparation of a training manual for natural gas rate-making, and provided technical advisory services to transition countries. A network of key institutions, enterprises and individuals in the ECE region was also established to promote further interaction among government officials and executives of natural gas companies from both west and east operating in the ECE region.

26. To assist ECE in implementing the programme of work of the Centre, an Advisory Board has been established, consisting of twenty natural gas company executives representing the major contributors to the Centre's trust fund. During the first year of operation, the programme of work was carried out by one full-time staff member. Since then, three new staff members have been added, including the Project Manager. In addition to the trust fund, the work of the Centre is supported by in kind contributions provided by Governments, gas companies and industry associations. Such contributions have been an indispensable part of its operations.

27. One of the priorities for 1996 will be the development of a gas database covering energy policies, legal and regulatory practices, pricing regimes and tariff structures, restructuring/privatization procedures and measures, model contracts related to exploration, production and other activities, basic physical layout and description of gas infrastructure, key investment projects, and a "Who's who in the gas industry".

28. Further activities envisaged include technical missions for the benefit of donors interested in learning more about gas market developments and investment opportunities in transition countries; a publication on company profiles of gas enterprises in the ECE region; and a roster of consultants who provide services in the field of natural gas. Training sessions will continue to be organized on subjects such as policy, regulatory measures, price and legislative issues related to a market-based gas industry and their potential application in the gas industry in transition countries.

(c) Implementation Programme on Accelerating Clean Coal Technology

29. Recognizing the importance of coal to the economies of transition countries and the need to accelerate the implementation of clean coal technologies, the Working Party on Coal introduced the Implementation Programme on Accelerating Clean Coal Technology (IMPACCT). The Committee on Energy, recognizing the importance of diversifying the forms and methods of work in providing assistance to transition countries, invited Governments, organizations, manufacturing and energy companies, and financial institutions to provide support, both financially and in kind, not only to IMPACCT but also to the other extra-budgetary programmes. These programmes are particularly useful to countries in transition; energy is a priority for them. Moreover, there is significant interdependence among all ECE countries in the field of energy; developments in transition countries have an impact on neighbouring countries as well as those in the west.